

SUPPLEMENTAL DIRECT TESTIMONY AND EXHIBITS OF
MICHAEL L. SEAMAN-HUYNH
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2018-319-E
IN RE: APPLICATION OF DUKE ENERGY CAROLINAS, LLC
FOR ADJUSTMENTS IN ELECTRIC RATE SCHEDULES AND TARIFFS
AND REQUEST FOR AN ACCOUNTING ORDER

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Michael Seaman-Huynh. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Regulatory Manager in the Utility Rates and Services Division of the Office of Regulatory Staff (“ORS”).

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

The concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. DID YOU FILE DIRECT TESTIMONY AND EXHIBITS IN THIS PROCEEDING?

A. Yes. I filed direct testimony and five (5) exhibits with the Public Service Commission of South Carolina (“Commission”) on February 25, 2019.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

1 A. The purpose of my supplemental direct testimony is to update ORS's
2 recommendations regarding revenue requirement distribution and rate design based on the
3 Supplemental Direct Testimony and Exhibits of ORS witness Gaby Smith and update the
4 impacts of the proposed rates on customers' bills.

5 **Q. PLEASE DISCUSS THE REVENUE REQUIREMENT AND HOW IT IS**
6 **DISTRIBUTED TO EACH CUSTOMER CLASS.**

7 A. Based on ORS's adjustments and a 9.30% return on equity ("ROE"), as
8 recommended by ORS witness Parcell, ORS recommends a reduction to Duke Energy
9 Carolinas, LLC's ("DEC" or "Company") proposed revenue increase from \$230,807,000
10 (as filed in Company witness Smith's Exhibit 1) to \$77,474,000, which equates to an
11 approximate 66% reduction or approximately \$153,333,000, excluding the refund from the
12 Excess Deferred Income Tax Rider ("EDIT Rider"). The revenue increases for ORS's
13 recommendation by customer class and individual rate schedules are reflected in
14 Supplemental Exhibit MSH-1. ORS recommends that the revenues generated by the billing
15 determinants not exceed the target revenue for each class as proposed in Supplemental
16 Exhibit MSH-1.

17 Supplemental Exhibit MSH-1 demonstrates the percent increases proposed by ORS
18 for each customer class. The retail increases by customer class, including ORS's proposed
19 adjustments and the EDIT Rider, are as follows: 2.30% for Residential; -0.38% for General
20 Service; 0.10% for Industrial; and 3.31% for Lighting. The overall total retail increase is
21 0.93%.

22 **Q. HOW DOES ORS'S DISTRIBUTION OF THE REVENUE REQUIREMENT**
23 **IMPACT THE RATE OF RETURN BY CUSTOMER CLASS?**

1 A. Supplemental Exhibit MSH-2 provides the resulting rate of return by customer
2 class, taking into account ORS's proposed adjustments and excluding the EDIT Rider. In
3 developing Supplemental Exhibit MSH-2, ORS attempted to limit cross-subsidization of
4 customer classes by employing a $\pm 10\%$ "band of reasonableness" relative to the overall
5 retail rate of return. ORS was successful in bringing the Residential and Industrial
6 customer classes within this band. The returns by class are as follows: 5.14% for
7 Residential; 6.67% for General Service; 5.78% for Industrial; and 5.03% for Lighting. The
8 overall rate of return for total retail is 5.68%. ORS recommends that any increase by the
9 Commission granted be allocated in a manner such that the returns by class are as equitable
10 as practicable.

11 **Q. WHAT IS THE IMPACT OF THESE UPDATES ON ORS'S**
12 **RECOMMENDATIONS REGARDING THE COMPANY'S RESIDENTIAL AND**
13 **SMALL GENERAL SERVICE ("SGS") BASIC FACILITY CHARGES ("BFC")?**

14 A. Incorporating the updates from ORS witness Smith, ORS recommends the BFC for
15 residential non-Time of Use ("TOU") customers be increased to \$11.78 per month and
16 \$12.93 per month for residential TOU customers as shown on Supplemental Exhibit MSH-
17 3. ORS recommends the BFC for SGS customers be increased to \$11.60 per month as
18 shown on Supplemental Exhibit MSH-3.

19 **Q. HAS ORS REVIEWED THE EFFECT OF THE COMPANY'S PROPOSED RATES**
20 **ON THE TYPICAL RESIDENTIAL CUSTOMER'S MONTHLY BILL?**

21 A. Yes. Supplemental Exhibit MSH-5 shows the typical monthly residential bill for a
22 customer on Rate RS with 1,000-kilowatt hour ("kWh") consumption for DEC's currently
23 approved rates and the rates proposed in this proceeding. For information purposes, ORS

provided the same information for South Carolina Electric & Gas Company (“SCE&G”), Duke Energy Progress, LLC (“DEP”), Lockhart Power Company (“Lockhart”), South Carolina Public Service Authority (“Santee Cooper”), and the most recent U.S. Energy Information Administration (“EIA”) data for the South Atlantic region of the United States.

Q. AFTER INCORPORATING ORS’S ADJUSTMENTS AND RECOMMENDATIONS INTO THE COMPANY’S APPLICATION, WHAT IS THE NET EFFECT ON THE TYPICAL MONTHLY BILL FOR A TYPICAL RESIDENTIAL CUSTOMER?

A. The monthly bill for the typical residential customer on Rate RS using 1,000 kWh (“Typical Bill”) will increase by approximately \$8.58 from \$117.74 to \$126.34, or 7.3%, exclusive of the EDIT Rider. Including the EDIT Rider, the Typical Bill would decrease by an additional (\$4.59) for a net increase of \$4.01. Inclusive of all changes, the Typical Bill would increase from \$117.74 to approximately \$121.75, or 3.4%.

Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, become available.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes, it does.

Duke Energy Carolinas, LLC
Proposed Revenues
Docket No. 2018-319-E

SUPPLEMENTAL
EXHIBIT MSH-1

Rate Class	Present Revenues Annualized (a)	ORS Proposed Revenues Annualized (b)	ORS Proposed Revenue Increase (Decrease) (c)	ORS Percent Increase (Decrease) (d)	ORS EDIT Rider Increase (Decrease) (e)	ORS Proposed Net Revenue Increase/(Decrease) (Total) (f)	ORS Percent Increase (Decrease) (g)
<u>Residential</u>	\$ 680,173,659	\$ 717,385,116	\$ 44,142,000	5.47%	\$ (28,498,084)	\$ 15,643,916	2.30%
<u>General Service</u>	\$ 467,750,879	\$ 487,006,118	\$ 13,196,000	4.12%	\$ (14,957,855)	\$ (1,761,854)	-0.38%
<u>Industrial</u>	\$ 499,868,420	\$ 517,774,570	\$ 16,325,000	3.58%	\$ (15,827,996)	\$ 497,004	0.10%
<u>Lighting</u>	\$ 39,250,614	\$ 42,351,769	\$ 3,811,000	7.90%	\$ (2,510,888)	\$ 1,300,113	3.31%
<u>Total Retail</u>	\$ 1,687,043,572	\$ 1,764,517,573	\$ 77,474,000	4.59%	\$ (61,794,822)	\$ 15,679,180	0.93%

Duke Energy Carolinas, LLC
Rate of Return by Class

Docket No. 2018-319-E
(000's Omitted)

SUPPLEMENTAL
EXHIBIT MSH-2

	<i>Before Increase</i>				<i>After Proposed Increase</i>			
	Company Pro Forma Ratebase	Company Pro Forma Return	ROR	Relationship to Parity	Company Pro Forma Ratebase	ORS Pro Forma Return	ROR	Relationship to Parity
Residential	\$ 2,536,231	\$ 96,975	3.82%	82%	\$ 2,536,231	\$ 130,254	5.14%	90%
General Service	\$ 1,392,174	\$ 82,840	5.95%	128%	\$ 1,392,174	\$ 92,789	6.67%	117%
Industrial	\$ 1,500,954	\$ 74,450	4.96%	107%	\$ 1,500,954	\$ 86,757	5.78%	102%
Lighting	\$ 190,620	\$ 6,721	3.53%	76%	\$ 190,620	\$ 9,594	5.03%	89%
Total Retail	\$ 5,619,978	\$ 260,986	4.64%	100%	\$ 5,619,978	\$ 319,394	5.68%	100%

Duke Energy Carolinas, LLC
ORS Residential & SGS BFC Recommendations
Docket No. 2018-319-E

SUPPLEMENTAL
EXHIBIT MSH-3

	Bills	ORS Proposed Revenue Increase/(Decrease)	ORS Proposed Revenue 25% Increase	ORS BFC Increase	Current BFC	ORS Proposed BFC	ORS Percent Increase
Residential (RS)	3,162,644	\$44,099,271	\$11,024,818	\$3.49	\$8.29	\$11.78	42%
Residential (RT)	3,565	\$42,729	\$10,682	\$3.00	\$9.93	\$12.93	30%
SGS	958,490	\$4,157,889	\$1,039,472	\$1.08	\$10.52	\$11.60	10%

Duke Energy Carolinas, LLC
Typical Monthly Residential Bill for 1,000 kWh Consumption
Docket No. 2018-319-E

SUPPLEMENTAL
EXHIBIT MSH-5

	Total Bill Including EDIT Rider	Total Bill Excluding EDIT Rider
DEC (Schedule RS) (Current)	\$117.74	
DEC (Schedule RS) (Company Proposed)	\$132.48	\$137.13
DEC (Schedule RS) (ORS Proposed)	\$121.75	\$126.34
SCE&G (Rate 8)	\$124.91	
DEP (Schedule RES)	\$122.49	
Lockhart (Schedule R) ¹	\$134.45	
Santee Cooper (Schedule RG) ²	\$123.87	
South Atlantic 2017 Average (from EIA) ³	\$125.15	

¹ Lockhart Rate does not include monthly changes to Schedule O.

² Santee Cooper bill does not include non-public changes to FAC-17, DSC-17, and EDA-17.

³ https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf